

JUSTIFICATION OF ESTIMATES

Proposed Appropriation Language

FEDERAL PAYMENTS TO THE RAILROAD RETIREMENT ACCOUNTS

For payment to the accounts established in the Treasury for the payment of benefits under the Railroad Retirement Act for interest earned on unnegotiated checks, \$150,000, to remain available through September 30, 2005, which shall be the maximum amount available for payment pursuant to section 417 of Public Law 98-76.

Note. - A regular fiscal year 2003 appropriation for this account had not been enacted at the time this budget justification was prepared. This account is currently operating under the continuing resolution P.L. 107-229, as amended. The amounts included for 2003 in this budget justification reflect the Administration's fiscal year 2003 policy proposals.

Explanation of Proposed Appropriation Language

Appropriation language	Explanation
<i>For payment to the accounts established in the Treasury for the payment of benefits under the Railroad Retirement Act for interest earned on unnegotiated checks, \$150,000, to remain available through September 30, 2005, which shall be the maximum amount available for payment pursuant to section 417 of Public Law 98-76.</i>	<p>Section 417 of Public Law 98-76 (Railroad Retirement Solvency Act of 1983) amended the Railroad Retirement Act of 1974 to provide for monthly transfers from the Treasury of amounts for benefit checks drawn 6 months earlier and not presented for payment.</p> <p>Since fiscal year 1991, the RRB no longer receives credits to this account for the principal amount of uncashed railroad retirement checks under provisions of the Competitive Equality Banking Act of 1987. Instead, such funds, which are appropriated to the Treasury, are transferred directly to the railroad retirement accounts and the Dual Benefits Payments Account. As a result, the RRB is no longer required to seek prior appropriation authority for the principal amount of the uncashed check transfers. Interest on uncashed railroad retirement checks, however, must still be appropriated in advance to this account.</p>

Authorizing Legislation

<u>Legislation</u>	<u>2003</u>		<u>2004</u>	
	<u>Authorized</u>	<u>Current estimate</u>	<u>Authorized</u>	<u>Appropriation request</u>
Railroad Retirement Solvency Act of 1983 Section 417	Indefinite	\$150,000 <u>a/</u>	Indefinite	\$150,000
Competitive Equality Banking Act of 1987 Section 1003				
Railroad Retirement Act of 1974, as amended: Section 15(i)(2)				

"The Secretary of the Treasury shall, on a monthly basis, credit each account established in the Treasury for the payment of benefits under this Act for the proportionate amount of benefit checks (including interest thereon) drawn on each such Account more than six months previously but not presented for payment and not previously credited to such Account, to the extent provided in advance in appropriation Acts."

Appropriations History Table

<u>Fiscal year</u>	<u>Budget estimate to the Congress</u>	<u>House allowance</u>	<u>Senate allowance</u>	<u>Appropriation</u>
1995	\$300,000	\$300,000	\$300,000	\$300,000
1996	\$300,000	\$300,000	\$300,000	\$300,000
1997	\$300,000	\$300,000	\$300,000	\$300,000
1998	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
1999	\$150,000	\$150,000	\$150,000	\$150,000
2000	\$150,000	\$150,000	\$150,000	\$150,000
2001	\$150,000	\$150,000	\$150,000	\$150,000
2002	\$150,000	\$150,000	\$150,000	\$150,000
2003	\$150,000	\$150,000	\$150,000	\$150,000 <u>a/</u>
2004	\$150,000			

a/ A regular fiscal year 2003 appropriation for this account had not been enacted at the time this budget justification was prepared. This account is currently operating under the continuing resolution P.L. 107-229, as amended. This amount reflects the Administration's proposed level of funding for fiscal year 2003.

Note: Amounts appropriated are available for two years.

Federal Payments to the Railroad Retirement Accounts
(Appropriations for Uncashed Checks)

Amounts Available for Obligation

	Fiscal year 2002 <u>actual</u>	Fiscal year 2003 <u>estimate</u>	Fiscal year 2004 <u>estimate</u>
Appropriation	\$150,000	\$150,000	\$150,000
Plus:			
Unobligated balance, start of year	<u>80,000</u>	<u>135,000</u>	<u>145,000</u>
Subtotal	\$230,000	\$285,000	\$295,000
Less:			
Unobligated balance, end of year	<u>135,000</u>	<u>145,000</u>	<u>145,000</u>
Total obligations	<u>\$ 95,000</u>	<u>\$140,000</u>	<u>\$150,000</u>

Explanation of 2004 Request

Prior to enactment of Section 417 of the Railroad Retirement Solvency Act of 1983, amounts for uncashed benefit checks were not credited to the Railroad Retirement Accounts. Section 417 provided a two-part process for recovering unnegotiated benefit check amounts. The first part, represented by the 1985 appropriation request, was a catch-up mechanism to credit the accounts with the amount of all uncashed checks issued prior to May 1985, that the Treasury and the RRB could jointly identify from accounting records. The amount agreed upon and appropriated in 1985 was \$15 million and was to remain available through September 30, 1986.

The second part of the process went into effect for checks issued on and after May 1, 1985. From that date, on a monthly basis, the Treasury transferred to the account amounts represented by checks drawn 6 months earlier and not presented for payment. These amounts were provided for, in advance, in appropriation acts. For fiscal year 1991 and thereafter, the RRB is to seek appropriation authority only for the interest earned on unnegotiated checks. Under provisions of the Competitive Equality Banking Act of 1987, the principal amount of uncashed railroad retirement checks is to be appropriated to the Treasury, which in turn shall transfer such amounts directly to the appropriate RRB accounts.

The appropriation proposed for fiscal year 2004 provides that funds would be available for 2 years -- or through September 30, 2005.